

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF VIRGINIA

IN RE: . Case No. 08-35653 (KRH)
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.
CIRCUIT CITY STORES, . 701 East Broad Street
INC., . Richmond, VA 23219
.
.
Debtor. . February 24, 2010
. 2:10 p.m.

TRANSCRIPT OF HEARING
BEFORE HONORABLE KEVIN R. HUENNEKENS
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

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1 COURT CLERK: In the matter of Circuit City Stores,
2 Incorporated, hearing on Items 1 through 63 as set out on
3 debtors' agenda.

4 MR. FOLEY: Good afternoon, Your Honor, Doug Foley on
5 behalf of the debtors. With me at counsel table is Mr. Ian
6 Fredericks from Skadden Arps and Sarah Boehm from my firm. In
7 the courtroom today is Michelle Mosher who is the principal
8 financial officer of the debtors, Your Honor.

9 THE COURT: All right.

10 MR. FOLEY: Your Honor, the items on the agenda I'll
11 be dealing with matters 1 through 17, as well as 61 through 63.
12 Mr. Fredericks will address the Court with respect to matters
13 18 and 19. And Ms. Boehm will address the Court with respect
14 to matters 20 through 60.

15 Your Honor, Item Number 1 on the agenda is the
16 longstanding motion for relief from stay by DIRECTV which we
17 have finally resolved and that matter can be removed from the
18 docket.

19 THE COURT: All right.

20 MR. FOLEY: Your Honor, Item Number 2 and 3, this is
21 Motorola's General Instrument's motions for payment of
22 503(b)(9) claims. They have requested and we've agreed to
23 adjourn their motions until the March 25th hearing date at
24 2:30.

25 THE COURT: All right.

1 MR. FOLEY: Your Honor, Item Number 4, this is the
2 Sennheisser motion for a late proof of claim. With respect to
3 all of the late claims, just to update the Court, we have
4 motions for late claims, as well as the late claims and owner
5 objection that don't have motions pending. We've provided all
6 of those parties with a copy of the Court's memorandum opinion
7 in the EEC case, and we're continuing to have discussions with
8 these movants. We're hopeful that we're going to be able to
9 resolve most, if not all of them, through a consensual
10 stipulation of some kind. But, with respect to Sennheisser,
11 Your Honor, we are getting more information from them. We
12 believe we'll be able to resolve it prior to the March 25th
13 hearing date at 2:30. But, they've requested and we've agreed
14 to adjourn it to that day.

15 THE COURT: All right

16 MR. FOLEY: Your Honor, Item Number 5, this is the
17 SouthPeak motion for administrative claim. We have resolved
18 this one, in its entirety, through a stipulation that we filed
19 last night that resolves our objections that are set forth in
20 Omni Objection 23, 34, 35. There is still an outstanding
21 objection with respect to Omnibus Objection 50 and 51.
22 However, this motion will be withdrawn. But, for now we'd like
23 the Court to show it on the agenda as adjourned to the March 8
24 hearing date at 11, but we'll follow up with counsel to get
25 that motion withdrawn.

1 THE COURT: Okay.

2 MR. FOLEY: Your Honor, Item Number 6, this is the
3 Vertis motion for a late claim. We have resolved this matter
4 for now. We'd ask the Court to carry it over to the March 25th
5 date at 2:30. But, prior to that time we'll have Vertis file a
6 withdrawal of that motion, as well.

7 THE COURT: Okay.

8 MR. FOLEY: Item Number 7, Your Honor, this is a
9 Towne Square motion for -- to amend and for a late proof of
10 claim. We're still working through the facts on this one, Your
11 Honor, and just having discussions with counsel. They've
12 requested, and we've agreed, to adjourn the matter to the March
13 25th hearing date at 2:30.

14 THE COURT: Okay.

15 MR. FOLEY: Your Honor, Item Number 8, this is
16 Schimenti Construction's 2004 motion. We've been in
17 negotiations with Schimenti and have exchanged offers and
18 counter offers to try to resolve the matter. We're waiting for
19 a response to our latest offer, and we have not heard back yet
20 from counsel. But, in the meantime they have agreed to adjourn
21 their motion for 2004 until the March 25th hearing date at
22 2:30.

23 THE COURT: Okay.

24 MR. FOLEY: Your Honor, Item Number 9 is the motion
25 by Slam Brands for an administrative claim. We're in the

1 process of reconciling the amount of that claim and we believe
2 we'll be able to get it resolved. There's some procedural
3 issues relating to it, as well, prior to the March 25th hearing
4 date of 2:30, but they've requested and we've agreed to adjourn
5 it till that day.

6 THE COURT: Okay.

7 MR. FOLEY: Your Honor, Item Number 10, this is the
8 motion by Miner Fleet for a late administrative claim. We have
9 resolved this matter, we're waiting for a signature page from
10 opposing counsel on a stipulation which will be hopefully filed
11 this week. But, for now we'd ask the Court to adjourn the
12 motion until the March 25th hearing date at 2:30. Prior to
13 that time we hope it will be withdrawn.

14 THE COURT: All right.

15 MR. FOLEY: Item Number 11, Your Honor, this is the
16 motion by Ms. Ashley Isaacs for a late claim. She has agreed
17 to adjourn her motion till the March 25th hearing date at 2:30,
18 at which time we intend to go forward on the merits. I don't
19 know if Ms. Isaacs is on the phone but we have told her that
20 that will be her opportunity to present evidence to the Court
21 about excusable neglect or whatever theory that she wants to
22 pursue. But, we'll make sure that that's properly noticed and
23 that she knows it's going forward on the merits on that day.

24 THE COURT: Please do.

25 MR. FOLEY: Your Honor, with respect to Item Number

1 12, this is OmniMount's motion for reconsideration. We have
2 resolved that matter, as well, and a stipulation is drafted and
3 is in progress. We hope Mr. Gray will provide signature
4 authority for us this week. But, until we get that filed, Your
5 Honor, we'd ask that this motion, with OmniMount's consent, to
6 be carried to the March 18th hearing date at ten.

7 THE COURT: All right.

8 MR. FOLEY: Your Honor, Item Number 13, this is our
9 motion with respect to the SafeCo surety bonds. We're still in
10 discussions with SafeCo, as well as the government, with
11 respect to their limited objection. We're trying to work
12 through those issues. But, for now we'd ask the Court to
13 adjourn it to the March 8th hearing date at 11.

14 THE COURT: All right.

15 MR. FOLEY: Your Honor, Items Number 14 and 17 are
16 the two Madcow motions for administrative claim. One is for a
17 post-petition administrative claim and one is for a 503(b)(9)
18 claim. They have requested, and we have agreed, to adjourn
19 their motions until the March 8 hearing date at 11.

20 THE COURT: All right.

21 MR. FOLEY: Your Honor, Item Number 15 is the motion
22 by Mr. Raleigh for a late filed proof of claim. We believe
23 we're going to be able to resolve this issue as to the late
24 claim issue because Mr. Raleigh's contract was recently
25 rejected. And he'll obviously have an opportunity to file

1 another proof of claim. He can roll into the claim that is
2 otherwise late into that, and we can resolve the claim on the
3 merits rather than deal with the late claim issue. We're
4 trying to reach Mr. Rapinski, who is his counsel, to get that
5 matter resolved, but until then they have agreed to adjourn
6 their motion until the March 25th hearing date at 2:30.

7 THE COURT: All right.

8 MR. FOLEY: Item Number 16, Your Honor, this is the
9 motion by Site A for a late filed proof of claim. We are
10 awaiting additional information that we have requested from
11 Site A, but until then they have agreed to adjourn their motion
12 until the March 25th hearing date at 2:30.

13 THE COURT: All right.

14 MR. FOLEY: Your Honor, I'm skipping down to the
15 adversary proceedings that are at the end of the agenda, Items
16 61, 62, and 63. We are in discussions with the insurance
17 carrier with respect to Item Number 61. This is the CC
18 investors' adversary proceeding. And, hopefully, we're going
19 to try to get that matter resolved prior to issuing a
20 scheduling order. But, we'd like the pretrial conference with
21 respect to that adversary to be adjourned until the March 25th
22 hearing date at 2:30.

23 THE COURT: All right, it'll be adjourned.

24 MR. FOLEY: Item Number 62 and 63, Your Honor, these
25 are our adversary complaints against Sharp as in Creative Labs.

1 We have been exchanging, informally, information with respect
2 to the claims. Counsel has also requested additional time to
3 retain counsel with respect to the Creative Labs matter. We've
4 agreed to adjourn both pretrial conferences until the March 8
5 hearing date at 11, at which point we'll probably be in a
6 position to request the Court to enter pretrial orders with
7 respect to both those matters.

8 THE COURT: All right.

9 MR. FOLEY: And Mr. Fredericks will deal with -- I'm
10 sorry, we'll deal with the claims matters next, Your Honor,
11 Items 20 through 60.

12 THE COURT: All right. Thank you.

13 MS. BOEHM: Good afternoon, Your Honor, Sarah Boehm
14 from McGuire Woods on behalf of the debtors. Item 20 on the
15 agenda is the debtors' 63rd omnibus objection to claims. It
16 sought the disallowance of certain duplicative claims of the
17 Wydler Settlement class. This included an objection to 36
18 claims filed by individuals who were part of the Wydler
19 Settlement, so we sought the disallowance of the individual
20 claims with the surviving claim being that of the class.

21 This was originally scheduled for a status hearing
22 last month and was adjourned at the request of the Wydler
23 settlement so that they could confirm that all those members
24 were, in fact, members of the class. They have confirmed that.
25 I have no objection to the entry of the order. And none of the

1 individuals filed a response, as well. So, we would seek an
2 order disallowing the claims of the 36 individuals with the
3 Wydler Ssttlement class claim being a surviving claim for each
4 of those 36.

5 THE COURT: Does any party wish to be heard on the
6 debtors' 63rd omnibus objection to claims?

7 (No audible response)

8 THE COURT: All right there being no objection, that
9 will be granted.

10 MS. BOEHM: Item 21 on the agenda is the debtors'
11 65th omnibus objection which seeks the reclassification of
12 certain claims filed by equity holders to interests. This
13 included 79 claims filed by individuals with respect to holding
14 equity interests. We did receive one response. We would
15 propose to submit an order reclassifying the claims to the 78
16 claimants who did not respond. And as to the one claimant who
17 did respond we have notice in the agenda and by separate notice
18 that it will go forward on the merits on the March 8th hearing
19 at eleven o'clock.

20 THE COURT: All right. That'll be approved.

21 MS. BOEHM: Thank you, Your Honor. Item 22 was a
22 notice that was filed with respect to a hearing on the merits
23 on the debtors' 15th and 16th omnibus objections which sought
24 the reclassification of claims filed by equity holders to
25 interests. This hearing is with respect to Ms. Cinda Ann

1 Berger who was in the 15th omnibus objection, and Mr. James
2 Lebari who is part of the 16th omnibus objection. These claims
3 have been provided to the Court. The debtors assert that they
4 were filed on -- as proof -- Mr. Lebari's claims were filed as
5 actually he scratched out on the claim and wrote proof of
6 interest. However, the claims agent is not able to docket this
7 in this format without a court order. And when speaking with
8 him he said that now that he understands the treatment of
9 interest in the plan he doesn't want those treated as
10 interests. He would like them to be treated as claims.

11 THE COURT: Of course.

12 MS. BOEHM: So, we would request that with respect to
13 Claim Number 4576 by Ms. Cinda Ann Berger and Claim Numbers
14 9053, 9055 and 9057 by James Lebari be reclassified to
15 interests which will receive treatment in accordance with the
16 plan.

17 THE COURT: All right. Now, I've received a response
18 on behalf of Mr. Lebari filed by the -- from Spotts Fain. Is
19 anybody here to address that response?

20 MS. BOEHM: I can address that, Your Honor.

21 THE COURT: Okay.

22 MS. BOEHM: He has, in effect, fired Spotts Fain by
23 refusing to pay their bills and asking them to do no further
24 work on the case. When I contacted them regarding this
25 objection they instructed me that they were no longer

1 representing him and that I should contact him directly. So I
2 did that, and he confirmed that and said that they would not be
3 representing him, that he was representing himself.

4 THE COURT: All right. Is Mr. Lebari here? Is he on
5 the phone?

6 (No audible response)

7 THE COURT: All right. The Court has reviewed the
8 response that was filed in this case and the objection that was
9 filed by the debtors, and the Court agrees with the debtor that
10 these are interests and not claims, and so the Court will
11 sustain the objection.

12 MS. BOEHM: Thank you, Your Honor.

13 THE COURT: Now, before we go on there was also a Ms.
14 Berger who had written a letter. Is Ms. Berger represented or
15 on the phone?

16 (No audible response)

17 THE COURT: All right. The Court has reviewed that,
18 as well, and has concluded that that's very clearly an
19 interest, as well, and so the Court will sustain that
20 objection.

21 MS. BOEHM: Thank you, Your Honor. We will submit
22 supplemental orders on the 15th and the 16th omnibus objections
23 reclassifying those claims.

24 THE COURT: All right.

25 MS. BOEHM: Item 23 on the agenda begins the various

1 omnibus objections that are set for status. I do have a chart
2 which I can hand up which is a general summary, but I would
3 like to go through them, individually.

4 THE COURT: You may.

5 MS. BOEHM: Because several of them have been
6 concluded and some of them have different dates that we're
7 adjourning things.

8 With respect to Item 23, this was the debtors' second
9 omnibus objection to certain late claims, at the time the
10 agenda was filed we had submitted a supplemental order
11 completely resolving that. Since filing the agenda the order
12 has been docketed and this matter has been fully resolved and
13 does not need to be adjourned.

14 THE COURT: All right.

15 MS. BOEHM: Item 24 is the debtors' third omnibus
16 objection to certain late claims. This is a similar situation
17 where at the time of the filing of the agenda an order had been
18 submitted. It has since been entered which fully resolves this
19 objection and does not need to be adjourned.

20 THE COURT: All right.

21 MS. BOEHM: The debtor -- Item 25 is the debtors'
22 fourth omnibus objection to certain duplicative claims. As set
23 forth on the exhibit to the agenda the bulk of these claims are
24 being adjourned to the March 18th date. But, with respect to
25 Mitsubishi we had originally noted on the agenda that this was

1 going to be -- go forward on the merits on March 8th. At the
2 request of counsel, that is now being changed to March 18th.

3 THE COURT: All right.

4 MS. BOEHM: However, Bethesda Softworks was also
5 noted as going forward on March 8th at 11, and that one still
6 will be going forward on March 8th.

7 THE COURT: Okay.

8 MS. BOEHM: Item Number 26 is the debtors' fifth
9 omnibus objection to certain misclassified non-goods 503(b)(9)
10 claims. With respect to Magnus, Magnus and Inc. we have filed
11 a separate notice, as well as noting in the agenda and on the
12 exhibit that this will go forward on the merits on March 8th at
13 eleven o'clock. For any other claims included in that
14 objection, the status hearing will be adjourned to March 18th
15 at ten o'clock.

16 THE COURT: All right.

17 MS. BOEHM: Item 27 is the debtors' sixth omnibus
18 objection to misclassified non-goods, 503(b)(9) claims. For
19 any claim for which the objection is still pending those are
20 being adjourned to March 18th at ten o'clock.

21 THE COURT: All right.

22 MS. BOEHM: Item 28 is the debtors' seventh omnibus
23 objection to certain late claims. At the time of filing the
24 agenda an order had been submitted withdrawing our objection.
25 That order has now been entered. There are a few claims still

1 remaining within that objection for which we have adjourned the
2 status hearing to March 18th at ten o'clock.

3 THE COURT: All right.

4 MS. BOEHM: Item 29 is the debtors' eighth omnibus
5 objection to late claims. Again, an order has been recently
6 entered withdrawing our objection. However, there still are a
7 few claims remaining in that objection and which are being
8 adjourned for further status on March 18th at ten o'clock.

9 THE COURT: All right.

10 MS. BOEHM: Item 30 is the debtors' ninth omnibus
11 objection to certain late claims. For any claim for which the
12 objection is still pending it is being adjourned to March 18th
13 at ten o'clock. And that is another one where a supplemental
14 order has recently been entered withdrawing our objection to
15 certain of those claims.

16 THE COURT: All right.

17 MS. BOEHM: Item 31 is the debtors' tenth omnibus
18 objection to certain duplicative claims. For any claim which
19 the objection is still pending we're adjourning those to March
20 18th at ten o'clock. Item 32 is the debtors' 19th omnibus
21 objection to certain claims. This includes the
22 reclassification of certain misclassified claims to general
23 unsecured nonpriority. This went forward on the merits in
24 January as to about five or six of the claims which is still
25 under advisement. But, for any other claim that the objection

1 is currently still pending, we are continuing those to March
2 18th at ten o'clock.

3 THE COURT: All right.

4 MS. BOEHM: Item 33 is the debtors' 20th omnibus
5 objection. This was for 503(b)(9) claims received outside of
6 the 20 days. For Audiovox we were continuing the status
7 hearing to March 8th at 10 a.m. For Mitsubishi we had noted it
8 as March 8th, but again, at the request of counsel that will be
9 continued to March 18th, as well as all other claims pending in
10 that objection will also be adjourned to March 18th at ten
11 o'clock.

12 THE COURT: All right.

13 MS. BOEHM: Item 34 is the debtors' 21st omnibus
14 objection to certain duplicative claims. All the responses to
15 the 21st omnibus objection have been resolved and does not need
16 to be adjourned.

17 THE COURT: Okay.

18 MS. BOEHM: Item 35 is the 22nd omnibus objection,
19 disallowance of claims filed against the wrong debtor. For all
20 of those we are adjourning them to March 18th at ten o'clock.

21 THE COURT: Okay.

22 MS. BOEHM: Item 36 is the debtors' 23rd omnibus
23 objection to claims, the modification of certain duplicate
24 503(b)(9) claims. We had originally noticed that these would
25 be going forward on the merits as to SouthPeak. However, that

1 was resolved by a stipulation that was filed last night.

2 THE COURT: All right.

3 MS. BOEHM: With respect to Mitsubishi I believe this
4 one was originally noticed to go forward on March 8th, but by
5 request of counsel we will adjourn that to March 18th. And for
6 any other claim for which the objection is still pending those
7 will also be adjourned to March 18th at ten o'clock.

8 THE COURT: Okay.

9 MS. BOEHM: Item 37 is the debtors' 24th omnibus
10 objection. This related to the disallowance of certain tax
11 claims. For any claim for which the objection is still pending
12 we will adjourn those to March 18th at ten o'clock.

13 THE COURT: All right.

14 MS. BOEHM: Item 38 is the debtors' 27th omnibus
15 objection, also to certain tax claims. We will be adjourning
16 the status hearing for those to March 18th at ten o'clock.
17 However, we do have two supplemental orders that should be
18 ready this week, one withdrawing certain claims and one
19 disallowing certain claims, and we hope to have this objection
20 actually resolved prior to that hearing.

21 THE COURT: Okay.

22 MS. BOEHM: Item 39 is the debtors' 28th omnibus
23 objection to certain amended claims. We only have one claim
24 left in this objection which is being adjourned to March 18th
25 at ten o'clock.

1 THE COURT: Okay.

2 MS. BOEHM: Item 40 is the 29th omnibus objection to
3 claims which was the disallowance of certain duplicative
4 claims. An order has been entered since the agenda was filed
5 which has fully resolved this matter so it does not need to be
6 adjourned.

7 THE COURT: All right.

8 MS. BOEHM: Item 41 is the debtors' 30th omnibus
9 objection which has a certain wage claims. All of these claims
10 are being adjourned to March 18th at ten o'clock.

11 THE COURT: All right.

12 MS. BOEHM: Item 42 is the debtors' 31st omnibus
13 objection to certain legal claims. For any claim that this
14 objection is still pending is continued to March 18th at ten
15 o'clock.

16 THE COURT: Very good.

17 MS. BOEHM: Item 43 is the debtors' 33rd omnibus
18 objection. This is the modification or reclassification of
19 certain claims. These were not equity claims, these were just
20 claims that were filed as either priority or secured and we're
21 seeking to reclassify them. We have noticed separately and
22 have noted in the agenda and on the exhibit that this will go
23 forward on the merits with respect to Cindy Ann Haynes and
24 Amore Construction. Those will go forward on the merits on
25 March 8th at eleven o'clock. For any of the other claims still

1 pending, it will be adjourned to March 18th at ten.

2 THE COURT: All right.

3 MS. BOEHM: Item 44 is the 34th omnibus objection.

4 We had noted that this would go forward on the merits as to
5 SouthPeak. However, that has now been resolved by stipulation
6 filed last night. With respect to the other claim included, it
7 will be adjourned to March 18th at ten o'clock.

8 THE COURT: All right.

9 MS. BOEHM: Item 45 is the 35th omnibus objection.

10 Again as to SouthPeak, the stipulation was filed last night and
11 does not need to be adjourned. With respect to any other claim
12 included in the objection, which it's still pending, will
13 continue to March 18th at ten o'clock.

14 THE COURT: All right.

15 MS. BOEHM: Item 46 is the 36th omnibus objection.

16 All of these claims are being adjourned to March 18th at ten.

17 THE COURT: Okay.

18 MS. BOEHM: Item 47 is the 37th omnibus objection

19 regarding the reduction of certain personal property tax
20 claims. We're preparing a motion for partial summary judgment
21 on that and at this time we're asking that the status hearing
22 be adjourned to March 18th at ten.

23 THE COURT: Okay.

24 MS. BOEHM: Item 48 is the 39th omnibus objection.

25 This is another outside of 20 days. We only have one claimant

1 remaining in that objection and we're asked to adjourn that to
2 March 18th at ten. Item 49 is the 41st omnibus objection.
3 Again, we only have one claimant remaining in that objection,
4 and we would adjourn that to March 18th at ten.

5 THE COURT: All right.

6 MS. BOEHM: Item 50 is the 42nd omnibus objection.
7 An order has been entered since the agenda was filed which
8 disallowed certain of the claims included in the objection. We
9 had noted that these -- Mitsubishi would go forward on the
10 merits, but by agreement of counsel that date has changed from
11 March 8 to March 18th. And all other claimants included in
12 that objection will be continued to March 18th at ten.

13 THE COURT: All right.

14 MS. BOEHM: Item 51, the debtors' 43rd omnibus
15 objection to late claims. An order has been entered
16 withdrawing our objection to certain of those claims. And for
17 any other claim that the matter is still pending we would
18 adjourn to March 18th at ten.

19 THE COURT: All right.

20 MS. BOEHM: Item 52 is the 44th omnibus objection.
21 We will adjourn all those to March 18th at ten. Item 53 is the
22 48th omnibus objection which we will adjourn all claims to
23 March 18th at ten, as well as Item 54 which is the 49th omnibus
24 objection, we'll adjourn all those to March 18th at ten.

25 Item 55 is the 50th omnibus objection. For Audiovox

1 we will adjourn the status hearing to March 8th at eleven. For
2 all other claims to which the objection is pending, we will
3 adjourn to March 18th at ten.

4 THE COURT: All right.

5 MS. BOEHM: Item 56 is the 54th omnibus objection.
6 An order was entered this week withdrawing our objection to
7 certain of those claims. For any claims still included in the
8 objection we will adjourn those to March 18th at ten.

9 THE COURT: All right.

10 MS. BOEHM: Item 57 is the 56th omnibus objection.
11 We, at this point, are planing to file an omnibus reply to all
12 of the responses included in the 56th omnibus objection, and
13 will go forward on the merits on March 8th at eleven o'clock
14 for all those claims.

15 THE COURT: All right.

16 MS. BOEHM: And those are the disallowance of certain
17 alleged admin expenses on account of employee obligations where
18 the employee has a -- filed an admin claim and a general
19 unsecured claim for the same thing, and so we are seeking the
20 disallowance of the admin claim with the surviving general
21 unsecured claim.

22 THE COURT: All right.

23 MS. BOEHM: Item 58 is the 57th omnibus objection.
24 We have only one claim remaining in that which will be
25 adjourned to March 18th at ten.

1 THE COURT: All right.

2 MS. BOEHM: Item 59 is the 58th omnibus objection.

3 We will adjourn those to March 18th at ten.

4 THE COURT: All right.

5 MS. BOEHM: And, finally, on the debtors' 60th
6 omnibus objection which is Item 60, we will adjourn those to
7 March 18th at ten.

8 THE COURT: Okay. I note on that one that we've got
9 a pro se response filed by a prisoner, Bruce Senator --

10 MS. BOEHM: Yes, sir.

11 THE COURT: -- asking a motion to reconsider, which
12 obviously does not need to be reconsidered because you have
13 adjourned his claim out.

14 MS. BOEHM: That's correct, Your Honor.

15 THE COURT: I would suspect the problem is
16 communication. He's not going to participate by phone,
17 obviously, and doesn't know what's going on. What efforts have
18 been done to try to communicate with -- it's also a very, very
19 small claim.

20 MS. BOEHM: Yes, Your Honor. He had filed multiple
21 claims. It's \$150 rebate check, basically.

22 THE COURT: And more paperwork than \$150 could --

23 MS. BOEHM: Yes. We are only able to communicate
24 with him by mail at his address there in prison. We had filed
25 different objections to different of his claims trying to knock

1 out the duplicative nature. He had filed secured at priority.
2 We've tried to reclassified them. We've withdrawn our
3 objection to anyone that we felt it would just be easier to
4 withdraw. And as you noted in Omni 60 he did file a response
5 which we adjourned, and his motion to reconsider therefore is
6 -- doesn't need to be reconsidered because nothing was done but
7 to adjourn it. But, we will --

8 THE COURT: I suspect you're going to get more
9 responses though.

10 MS. BOEHM: Yes.

11 THE COURT: I mean, that's why I'm saying a little
12 communication on that might, you know, save everybody a lot of
13 paperwork, and a lot of lawyer time dealing with the matter.
14 So, I'd point that out for whatever it's worth.

15 MS. BOEHM: Thank you. We'll follow up with him,
16 Your Honor.

17 THE COURT: Okay.

18 MS. BOEHM: I'll turn it over to Mr. Fredericks.

19 THE COURT: All right.

20 MR. FREDERICKS: Good afternoon, Your Honor.

21 THE COURT: Good afternoon.

22 MR. FREDERICKS: Ian Fredericks from Skadden Arps on
23 behalf of the debtors.

24 I think we're going back to matters 18 and 19 and
25 then I have a little bit of an update to provide you with, as

1 well.

2 THE COURT: All right.

3 MR. FREDERICKS: I believe Matter 18 is the remaining
4 relief with respect to the incentive plan motion that was filed
5 last February, I believe.

6 THE COURT: Right.

7 MR. FREDERICKS: I'm pleased to report that we are
8 very, very close to a resolution of issues with the committee.
9 I would resolve that motion and some other issues that haven't
10 been brought before the Court yet. We are, I believe,
11 exchanging final -- what we believe to be final documents and
12 ironing out some remaining issues. But, we're optimistic we're
13 going to reach a consensual resolution, have that motion heard
14 -- well, reach a consensual resolution with the committee on
15 that and other issues.

16 By agreement with the committee we have agreed to
17 approach the U.S. Trustee on that motion and other issues,
18 because the U.S. Trustee is actually the only formal objection
19 to that motion that remains. And we're bringing the proposed
20 resolution to the U.S. Trustee, get input and try to resolve
21 any concerns the U.S. Trustee may have. And if we're unable to
22 resolve the U.S. Trustee's concerns go forward on March 8th.
23 So, I think March 8th will be a -- on a consensual or a
24 non-consensual basis. And I know you've heard that in the
25 past, Your Honor, but I think --

1 THE COURT: I was going to say that was on my notes
2 from the last hearing.

3 MR. FREDERICKS: So, I think it's going to be on
4 March 8th. We're going to do it one way or the other.

5 THE COURT: All right. Very good.

6 MR. FREDERICKS: On Matter Number 19, this is the
7 debtors' motion to deem publication notice adequate as to
8 certain rebate check holders. When we served the motion
9 recognizing that for the same -- one of the same reasons why
10 the rebate holders weren't initially served with the bar date
11 notice it didn't make sense to serve them with the motion due
12 to the cost prohibitive nature. We served the State Attorney
13 Generals, as well as the typical other parties. We have
14 received informal objections from the State Attorney Generals.
15 We are working with them and working with the committee and
16 hope to resolve this consensually, prior to the March 8
17 hearing.

18 THE COURT: All right. Not to beat a dead horse, but
19 was Mr. Senator's rebate claim timely, or was he going to be
20 subject to this date? If you don't know that's fine, you can
21 just report to me later on it. You're not asking for any
22 relief on this today, right?

23 MR. FREDERICKS: No, we're not asking for any relief
24 from the stay, we're just carrying forward.

25 THE COURT: Okay.

1 MR. FREDERICKS: But, we'll certainly look into that
2 and, you know, I think we'll try to reach some type of
3 consensual resolution with Mr. Senator, separately, given that
4 he has filed, I believe, multiple claims.

5 THE COURT: Yes. Well, his check is four years old,
6 too, so I mean, I'm aware of that. That's why I asked this
7 question. All right.

8 MR. FREDERICKS: Okay. I will definitely report that
9 to the Court. Unless the Court has any other questions on that
10 one, that would conclude my presentation on what I call the
11 notice motion.

12 THE COURT: When are we going to go forward on the
13 notice motion?

14 MR. FREDERICKS: On the 8th if we go forward with it,
15 if it's not consensually resolved before that.

16 THE COURT: All right. Very good. Where do we stand
17 as far as confirmation hearing is concerned?

18 MR. FREDERICKS: The next matter that I was going to
19 address with Your Honor.

20 THE COURT: Oh.

21 MR. FREDERICKS: We've talked to the committee.
22 We're still working through the Canadian issues, and I believe
23 the committee -- we're still working with the Canadian issues
24 with the committee with Canada trying to resolve those, and
25 that's still kind of the impediment to going forward with

1 confirmation. We've agreed with the committee to adjourn,
2 tentatively, to April 6th. I'm not sure whether or not that
3 will happen then or not. It really depends on a resolution of
4 the Canadian issues, and that's largely in the hands of a third
5 party of the Canadian Revenue Administration.

6 THE COURT: All right. So, that's where that is
7 pending right now for that body?

8 MR. FREDERICKS: Yes, we've -- yeah, we've asked for
9 what I would call the equivalent of an IRS administrative
10 letter or administrative ruling. Kind of a, here's what the
11 facts are going to be, if the facts are this what position will
12 Canada Revenue take? We've received positive feedback from
13 them, and I believe we're working with the committee on whether
14 or not to -- and I believe Jeff Pomerantz is on the phone so he
15 can speak up if I've misstated this. But, I believe we're
16 working on the committee with whether or not to modify that
17 ruling slightly or go forward with that ruling and submit a
18 subsequent ruling to address, you know, some tweaks. But,
19 we're working with them to try to resolve those and then we'll
20 submit it back to Canada and, you know, await their decision.

21 THE COURT: All right, very good. Is this part of
22 the Canadian insolvency proceeding, or is this totally a
23 separate tax court type of proceeding?

24 MR. FREDERICKS: No -- well, if the tax were to be
25 assessed at Canada it would be a liability of the Canadian

1 estate. That would then need to be paid before the proceeds
2 could move down to the United States. And what we've asked the
3 Canadian Revenue -- I understand all the issues, and I know,
4 but I certainly don't want to misstate anything here.

5 Basically, what's going on is, given the Court the
6 way the corporate structure was in place and you actually had a
7 Canadian sub that was the main operating entity in Canada that
8 sold all of its assets and is really now holding cash, that
9 Canadian sub is wholly owned by a U.S. debtor. That U.S.
10 debtor then has both preferreds and common. The preferreds, I
11 believe are owned by a Canadian sub, so actually a Canadian
12 entity, and the common are owned by a U.S. sub.

13 This complicated corporate structure that was put in
14 place, without the Canadian revenue ruling and the, what I'll
15 call a restructuring of those entities, without that occurring
16 it's possible that Circuit City or the Canadian estates could
17 get hit with not only one tax and potentially a tax at a higher
18 rate, but two taxes because of some inner company liabilities.
19 So, what we've proposed with the Canadian Revenue
20 Administration is to restructure those entities to kind of
21 address those issues, and then the monies will flow in the most
22 tax efficient manner, you know, to the United States.

23 THE COURT: Okay.

24 MR. FREDERICKS: It gets more complicated by the fact
25 that the U.S. is -- the U.S. plan proposed a substantive

1 consolidation and ultimately a liquidating trust who will be
2 the successor. So, that has -- those facts have also
3 complicated timing of when that all can occur and what impact
4 that would have on Canada. So, those are, in short, the issues
5 that we're trying to work out.

6 THE COURT: All right. And you're going to get all
7 that done by the 6th of April?

8 MR. FREDERICKS: We've been working on it for awhile,
9 we're hopeful, but again, you know, I've been here before and
10 told you we're hopeful it's going to happen, so we're hopeful,
11 we're working as quickly as we can. We're working closely with
12 the committee. The committee has its own Canadian
13 professionals. They're working with the Canadian debtors, tax
14 and restructuring professionals, up there and, you know, we're
15 working together to try to get it done as quickly as possible.

16 THE COURT: All right. Very good.

17 MR. FEINSTEIN: Excuse me, Your Honor, on the
18 telephone Robert Feinstein for the committee.

19 THE COURT: Yes, Mr. Feinstein.

20 MR. FEINSTEIN: Good afternoon. What Mr. Fredericks
21 is outlining is correct, Your Honor. The one thing I guess we
22 should alert Your Honor to you is that this intermediate U.S.
23 entity that has both this Canadian subsidiary and then a
24 Canadian parent, as part of the letter ruling from Canada to
25 get comfort on the -- avoiding an unnecessary tax liability it

1 appears necessary that that intermediate U.S. entity, which is
2 a debtor, is going to have to be dissolved. And I know part of
3 the process in the U.S. courts that we'll need to address in
4 order to resolve this in the best interest of the estate would
5 be to take that debtor essentially out of the plan and dissolve
6 it under state law in Delaware. But, in all other respects
7 we're optimistic that we can get this done by early April.

8 THE COURT: All right. Thank you very much.

9 MR. FREDERICKS: Assuming we got it -- and Mr.
10 Feinstein's correct -- assuming we got the ruling from Canada,
11 part of the Canadian ruling addresses what would need to --
12 addresses from Canada's perspective what would need to happen
13 in the U.S., on the U.S. side, to deal with the U.S. entities
14 that are in play here. I don't think it's just the one U.S.
15 debtor that's in play. I think the U.S. parent that's two
16 above those that holds the common stock is also in play about
17 what will happen with that one. But, we will ultimately need
18 to come back to this Court to get relief. We've postponed
19 asking for that relief pending the Canadian Revenue
20 Administration actually telling us what they want to have
21 happen so that we can ultimately get the tax back -- or get the
22 proceeds back in the most sufficient manner.

23 THE COURT: All right. Very good. All right. Thank
24 you for that update.

25 MR. FREDERICKS: I also wanted to -- unless Your

1 Honor has any -- I'm happy to answer anymore questions with
2 respect to that or confirmation.

3 THE COURT: I'm sufficiently confused on that point.
4 I think we can move on though.

5 MR. FREDERICKS: I was, too, the first time I heard
6 it, and you have less facts than I do. But, that's probably a
7 good thing for right now.

8 We're going to file a notice on the -- to adjourn it.
9 So, the parties know, we'll probably do that either later today
10 or tomorrow so that parties can make appropriate arrangements
11 to not come on March 8th. And I anticipate we'll provide you
12 with an update on March 25th so that we can make similar
13 arrangements if it's not going to happen on April 6th.

14 THE COURT: All right.

15 MR. FREDERICKS: Going back to the claims just for a
16 second, I don't know if Your Honor had a chance to glance at
17 this. It looks like there are some very large numbers on this
18 piece of paper. The debtors are preparing a number of
19 dispositive motions to try to deal with some of the larger and
20 common issues that we anticipate filing in the near future, and
21 hope to have heard before the end of March to try to whittle
22 this down even more than we've already been whittling it. But
23 we're really focusing hard on trying to move as many adjourned
24 claim matters off Your Honor's docket and clean this up as much
25 as possible and as fast as possible.

1 THE COURT: All right. Well, certainly that will be
2 appreciated.

3 MR. FREDERICKS: Unless Your Honor has any other
4 questions or would like an update on anything else, I think
5 that concludes everything for the --

6 THE COURT: Does any other party have any business
7 they want to bring up in the Circuit City matter?

8 (No audible response)

9 THE COURT: All right, Mr. Fredericks, thank you very
10 much.

11 MR. FREDERICKS: Thank you, Your Honor.

12 COURT CLERK: All rise. The court is now adjourned.

13 * * * * *

14 C E R T I F I C A T I O N

15 I, KIMBERLY UPSHUR, court approved transcriber,
16 certify that the foregoing is a correct transcript from the
17 official electronic sound recording of the proceedings in the
18 above-entitled matter, and to the best of my ability.

19

20 /s/ Kimberly Upshur

21 KIMBERLY UPSHUR

22 J&J COURT TRANSCRIBERS, INC. DATE: March 11, 2010

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